FinTech & Financial Services
How FinTech is changing financial services as we know it

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Agenda

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The appropriate response to new technology is not to angrily retreat into the corner hissing and gnashing your teeth.

It’s to ask: “Okay, how should we use this?”

- Burning Man
1. Innovation, Disruption & Dominant Designs
The dynamics of innovation

Key Success/Performance Parameter
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Innovators
Early Adopters
Early Majority
Late Majority
Laggards

Time

Production/Efficiency

Innovation

Dominant Design
The dynamics of innovation
Key Success/Performance Parameter

Time

Innovation

Production/ Efficiency

Innovators  Early Adopters  Early Majority  Late Majority  Laggards

Enforced Standard
2. Horizons of technology disruption
Horizons of technology disruption

Time to exponential technology breakthrough point

Source: dimensions data via @mikequindazzi
Adaptation of technology

WE ARE HERE
The hype cycle
Maturity, adoption and business application of technologies

Source: Gartner Inc.
Big-bang disruption
Catching the wave

Innovators (2.5%)
Early Adopters (13.5%)
Early Majority (34%)
Late Majority (34%)
Laggards (16%)

Time

Trial user
Vast majority

Source: Harvard Business Review
3. FinTech
About FinTech

“Banking is necessary but banks are not.”
Bill Gates

- The digitisation of business and society is also encompassing the financial services sector
- Tech-based “non-financials” are moving into the financial services sector as service providers, and competing with traditional systems and industries
- New business models often operate in regulatory “grey areas” and create new (regulatory) risks
- This presents a challenge for international and local regulators
What is FinTech?
The six clusters of financial services innovation

“FinTech describes a field within the financial industry that is enabled by new technologies and encompasses the entire spectrum of financial services, products and infrastructure. These include InsurTech (the use of new technologies in the insurance sector) and RegTech (the application of new technologies to ensure legal compliance)".

FinTech as a complex ecosystem
FinTech phenomena/business models

- Virtual currencies ("Bitcoin")
- Payment transactions ("Apple Pay" etc.)
- Distributed ledger technologies (DLTs), blockchain in particular
- "Crowdfunding" and "crowdlending"
- Digital trading / Robo-advice
- Data security solutions
- Data, analysis and interface programmes
Smart technologies that enable new business models...

**Business models:**
- Virtual currencies (“Bitcoin”, etc.)
- Payment transactions (“Apple Pay”, etc.)
- “Crowdfunding” and “crowdlending”
- Digital trading / Robo-advice
- Data analysis and interface programs
- Data security solutions
- Distributed ledger technologies (DLTs), blockchain in particular
FinTech developments
Global FinTech investment tops $39B in 2018

Annual global FinTech deals and financing, 2014 – 2018 ($B)

Source: CB Insights
39 FinTech unicorns valued at $147.37B
Global VC-backed FinTech companies with a private market valuation of $1B+

Source: CB Insights
16 FinTech unicorn births in 2018
Global VC-backed FinTech companies with a private market valuation of $1B+

Source: CB Insights
Fintech is democratizing investing

1. **Alternative access to investing**
   The first wave of investing apps lowered the barriers for investors to access existing markets with tech.

2. **Access to new assets**
   Startups are now looking to lower barriers to enter alternative asset classes and creating new commercially available assets.

3. **New investing models to tap existing assets**
   In tandem, startups are creating next-gen investment platforms that are focused on creating new methodologies to access alternative asset classes.

Source: CB Insights
As tech startups take advantage of open banking access, they will need in-house regulatory teams

**CANADA**
- The Department of Finance Canada launches Advisory Committee on Open Banking and open call for input

**US**
- OCC explores a “FinTech charter”
- OCC issues conditional banking charter

**LATIN AMERICA**
- Brazil’s central bank issues new banking rules
- Chile regulators follow Brazil’s lead

**EUROPE**
- In Jan’19 the FCA reported 80 TPPs registered
- As of Sept’18 there were 17.5M monthly open API calls
- Both the EU’s revised payment services directive (PSD2) and UK’s Open Banking went live

**ASIA**
- The Hong Kong Monetary Authority drafted open API frameworks
- HKMA starts issuing virtual bank guidance and licenses

**AUSTRALIA & NEW ZEALAND**
- Australia Securities and Investment commission (ASIC) openly endorsed open banking guidelines
- Open Banking put on hold in Jan’18 by the federal government

**AFRICA**
- Nigeria set up an Open Technology Foundation, a not-for-profit industry group developing open API standards
- South Africa Reserve Bank (SARB) started researching the establishment of a regulatory sandbox

Source: CB Insights
4. Digital Lending & Crowdfunding
What are the forces driving lending disruption?

Unprecedented, well-funded, solution-oriented FinTech activity created a new competitive landscape.

In the face of disruption, lenders were forced to pivot away from their traditional lending models to partner and/or directly compete. Although FinTech remains a driving force of innovation, bank and traditional non-bank lenders are seeking an advantage with digital and automation.
What are the forces driving lending disruption?

Due in part to FinTech disruption and changing expectations, the lending industry has pivoted to a focus on digital transformation.

**New User Interfaces**
- Chatbots
- Voice
- Video

**Customer Experience**
- Borrower Portals
- eClosing
- Self-Service
- Personalization
- Data Validation Tools

**Data and Analytics**
- AI / Machine Learning
- Big Data
- Real-Time Analytics
- Business Intelligence

**Internal Automation**
- Robotic Process Automation
- Data Integrations
- Automated Business Rules

**Infrastructure**
- Micro-Services
- Service Oriented Architecture
- APIs
- Cloud Computing

What is the digital experience?

‘Going digital’ is not just the beautification of the borrower facing front-end.
When digital is done right, it creates a personalized value proposition that complements the overall lending experience

Value is based on strong relationships and personalized service, and clients’ expectations will be no different: 1) Personalized, 2) End to End, and 3) Emphasizing the value of the overall relationship, such as relationship-based pricing.

Ongoing efforts to enhance the digital experience and overall go-to-market strategy will impact the appropriate marketing strategy.

Key elements of delivering the a sustainable value proposition:

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<tr>
<th>Seamless, end-to-end support</th>
<th>“Know me” experience</th>
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<tbody>
<tr>
<td>• Anytime, Anywhere support</td>
<td>• Timely, relevant content and offers, including personalized, tailored advice and recommendations</td>
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<td>• Quick, easy application process</td>
<td>• Limited requirements for data entry</td>
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<tr>
<td>• Clear communications</td>
<td>• Streamlined application process</td>
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<td>• Digital tools to complement human interactions</td>
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<table>
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<tr>
<th>Value of relationship</th>
<th>Personal connection</th>
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<tr>
<td>• Relationship-based pricing and discounts</td>
<td>• Client driven process</td>
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<td>• Special offers</td>
<td>• Clear visibility to LO/Lender regardless of contact channel</td>
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<td>• Ability to match or beat competitor rates</td>
<td>• Offers cannot feel ‘generic’ or mass market</td>
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<td>• Quick Decisions</td>
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<td>• Close on time</td>
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Lenders are leveraging ‘Marketing Technology’ to optimize performance across the entire borrower acquisition funnel.
5. Contacts & AFD
We will take you to the edge.
And past it.
Thank you for your attention...

...and now let’s go and do amazing things!